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For Immediate Release:

City of San Bruno Calls for PG&E to Pay Maximum Penalty without Credits for San Bruno Blast and Fire

San Francisco—The City of San Bruno filed legal arguments this week calling for the California Public Utilities Commission to levy the maximum penalty against the Pacific Gas & Electric Co. without granting it hundreds of millions in past repair credits for its gross negligence that caused the explosion of PG&E's line 132 in San Bruno on Sept. 9, 2010.

San Bruno's motion filed late Monday calls on the CPUC to strike the vague "credit" concept altogether from the CPUC safety division's so-called penalty proposal of $2.25 billion – which has been revealed to provide significant tax benefit rewards in addition to huge credits to PG&E – and to prohibit PG&E from deducting an ill-defined list of safety improvements made to date since the 2010 explosion and fire.

"These credits would let PG&E off the hook for more than 50 years of systematic safety failures that caused the 2010 explosion and fire, which took the lives of eight citizens of our city, destroyed 38 homes, and left a hole in the heart of San Bruno," said Mayor Jim Ruane. "We ask that this ill-defined provision be struck completely from the penalty recommendation so that PG&E can be held accountable for this tragic disaster and justice for the victims of San Bruno can finally be served."

The concept of allowing PG&E to deduct for past safety repairs made since the 2010 explosion and fire surfaced first in the so-called penalty recommendation of Jack Hagan, director of the CPUC's safety division. That recommendation is now mired in controversy after it was revealed to be 100 percent tax-deductible and littered with credits and perks to benefit PG&E, amounting in a net penalty of almost nothing for PG&E.

Not one of the CPUC safety division's senior attorneys would sign the proposal – calling it "unlawful" and "contrary to what our team had worked to accomplish in the last two and a half years" – and, bowing to political pressure, the lead attorney on the case, Frank Lindh, a former PG&E attorney, has since recused himself entirely from the investigation.

San Bruno city officials contend that allowing PG&E to reduce its penalty by amounts already spent on safety improvements since 2010 will result in a calculation that is an "untested, unaudited, unverified back of the envelope calculation of alleged PG&E shareholder expense," according to San Bruno's brief to the CPUC.

"To award PG&E a massive, and in San Bruno's view, undeserved 'credit' against the significant fines, penalties and remedies warranted by PG&E's decades of irresponsible and deadly mismanagement in this manner does not comport with due process or offer the residents of San Bruno any measure of justice," the filing states.

San Bruno has instead called for PG&E to be penalized a total of $3.8 billion – or $2.45 billion in after-tax dollars – the maximum financial consequences that the CPUC safety division experts determined it can bear - without giving PG&E the benefit of significant state and federal tax breaks and no credits for past expenses.

San Bruno has also demanded that the CPUC direct PG&E to adopt and fund a series of remedial measures to ensure systemic regulatory change in the future. These include funding for a California Pipeline Safety Trust advocacy organization, an Independent Monitor to make sure PG&E follows its own safety plan in the face of possible lax enforcement, and the installation of lifesaving fully Automatic Shutoff Valves.

"The concept of granting so-called credits for safety improvements that PG&E should have been making for the past 50 years is a slap in the face to the residents of San Bruno and the citizens of California who place trust in our public utility system to keep our gas lines functioning safely," Ruane said. "We ask that the CPUC do the right thing by eliminating this onerous credit concept and by penalizing PG&E so that we can ensure this tragedy never happens again, anywhere."

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